

MEMORANDUM FOR: ✓ Deputy Director for Administration
Deputy Director for Intelligence
Deputy Director for Operations
Deputy Director for Science and Technology
Administrative Officer, DCI Area

SUBJECT : Guidance for Preparation of the 1979 Program

REFERENCE : DDCI Memo, dtd. 9 March 1977, Same Subject

1. A revision of the schedule transmitted with the referent memorandum is attached (Tab A). Please note specifically that we now plan to distribute the completed Program Review Book to the EAG on 2 June rather than on 13 June, and that you will not get a draft of the Book as previously planned. This change will provide you and your staff a bit more time with the completed book in preparation for the DDCI/EAG review and will enable the Agency to meet the initial schedule for submission of the Agency's 1979 proposed Program to the PRC.

2. I would also like to reemphasize the importance of your five-year projections. While it is true that the primary focus is on the development of proposals for the Agency's 1979 Program, an essential adjunct to this process is the projection of resource requirements and proposals for the out-years. It is becoming increasingly apparent that both the PRC and OMB, during their consideration of our 1979 Program, intend to focus to a far greater extent than in the past on the program levels proposed for the following years. We expect that the external guidance levels provided to the Agency for 1980 may well be influenced by the five-year program projections we are now preparing. Therefore, it is essential that your preliminary plans for the 1980-1983 period, and particularly for 1980, be carefully and thoughtfully developed. You and your component managers are urged to pay particular attention to that portion of the 1979 Program Call (pages 4, 8, and 10-11) which provides guidance for your five-year projections, and to ensure that out-year estimates are fully responsive to the requirements prescribed.

3. Also attached are instructions and formats (Tab B) for the preparation and submission of a zero-base budget for one of your components as referred to in paragraph 5 of the referent memorandum. Central to the ZEB process are "Decision Packages" representing various levels of resources for each program or activity and the prioritizing of such packages by the different levels of management. Although only limited guidance has been made available by OMB to date, we have attempted to

~~ADMINISTRATIVE INTERNAL USE ONLY~~

follow the general format and content which we understand will be the basis for the Agency's zero-base budget submission for FY 1979. For the purpose of this initial ZBB effort, we suggest that existing Resource Packages be used as the basis for developing Decision Packages, although some adjustments in levels may be necessary in order to conform with the spirit and intent of the ZBB process. After the packages have been ranked by the component concerned, you are requested to prepare an independent ranking based on your evaluation of the data provided in support of the component's ZBB submission. We ask that the completed ZBB presentation, to include basic Decision Package data, Decision Unit summaries, component ranking of packages, and your ranking of the same packages, be submitted in two copies to this Office by 11 May 1977.

STATINTL

4. To ensure the maximum degree of uniformity between directorates in the preparation and submission of zero-base budgets, a meeting will be held in Room 4E05 at 0900 on 11 April 1977 to discuss the ZBB process, to elaborate on and further explain submission requirements, and to answer any questions. We suggest that representatives of your Directorate budget/planning staff and of the components selected to prepare a zero-base budget be asked to attend.

5. It is our intention to include the results of the zero-base budget submissions as a part of the internal Agency Program Review Book. This will afford Agency management with a preview of the ZBB system and the process which will be used for developing and presenting Agency programs and budgets beginning with the OMB budget this fall.

6. The various initiatives being undertaken by the President directly, and by him through OMB relative to position levels, suggest we should be taking a very serious look at the positions in each Resource Package and specifically at the impact of progressive reductions on our Program. The 1979 Program submissions will provide a preliminary assessment of the impact of possible position reductions insofar as they address minimum levels for 1979 which are below current levels. There are indications, however, that the Administration will recommend revised ceilings, not only for 1978 but also for 1977, which will be even lower than the minimum level you have been asked to address in your 1979 Program submission. Further, OMB Bulletin 77-7 indicates that such revised ceilings will be established "by early April," well in advance of the availability of your Program submissions. Assuming that the DCI will want to appeal any reduction in the Agency's position ceiling, we must be prepared to submit to OMB, probably on relatively short notice, a detailed assessment of the impact during 1977 and 1978 of any position reduction below our current ceiling. Toward this end, you are requested to begin developing data necessary to support such an appeal. The data should include the identification of activities and programs which would be curtailed or eliminated through progressive reductions with a thorough assessment of the impact on your capacity to fulfill your responsibilities and on the Agency's overall mission where appropriate. Your response should be as concise and to the point as possible, with each activity or program identified for possible curtailment or elimination discussed on a separate page in two

~~ADMINISTRATIVE INTERNAL USE ONLY~~

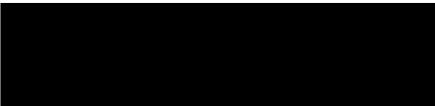
~~ADMINISTRATIVE INTERNAL USE ONLY~~

parts. First, a brief description of the specific activity or program involved including the number of positions which would be reduced and an indication in percentage of the magnitude of the change. Second, an assessment of the impact of the reduction. For this purpose, it is not enough simply to say that production will suffer or that operations will be less effective or efficient. You should state as precisely and forcefully as possible what we are doing now that you will no longer be able to do and what the impact of the discontinuance will be on your product and customers.

7. An important adjunct to our appeal will be a discussion of the new requirements and activities we have had to take on over the past two years without an increase in personnel. This discussion should not only identify the new requirements (e.g., FOIA, PA, oversight burden, FLSA, OSHA, etc.) but should clearly quantify the personnel resources we have had to divert from other activities to carry out such requirements, and should show how such diversions have adversely affected your ability to fulfill your mission-oriented responsibility. Also, our appeal will be strengthened if we are able to discuss shifts in personnel allocations to meet changing intelligence priorities and new program requirements (e.g., to support new collection systems, SAFE, narcotics, terrorism, etc.). This portion of your response also should be as precise as you can make it but a general discussion of not more than one or two pages may suffice.

8. While we do not know when the information requested herein to support an appeal of any proposed ceiling reduction will be required, OMB's stated intention to establish revised personnel levels by early April suggests a degree of urgency. Therefore, we would like to have your response as soon as possible, but no later than 8 April 1977. If this is not practical, please let me know.

STATINTL


James H. Taylor
Comptroller

Attachments:

- Tab A - 1979 Program Submission and Review Schedule
- Tab B - ZBB Instructions and Formats

~~ADMINISTRATIVE INTERNAL USE ONLY~~

STATINTL

Approved For Release 2002/01/10 : CIA-RDP80-00473A000400080010-3

Approved For Release 2002/01/10 : CIA-RDP80-00473A000400080010-3

1979 PROGRAM SUBMISSION
AND
REVIEW SCHEDULE

4 May	Component and Directorate responses to Program Call due in O/Comptroller in four copies (plus three extra copies of the Directorate overview so that a copy can be sent to each Deputy Director).
2 June*	Final Program Book distributed to Executive Advisory Group
9 June*	DDCI/EAG Review
10 June*	DDCI Review
15 June*	Agency Program to PRC
27 June -- 15 July	PRC Review
12 Aug	1979 OMB Budget submissions for Directorates due in O/Comptroller.
1 Sept	Agency budget due to OMB

* Revised Dates

Revised: 31 March 1977

STATINTL

Approved For Release 2002/01/10 : CIA-RDP80-00473A000400080010-3

Approved For Release 2002/01/10 : CIA-RDP80-00473A000400080010-3

Approved ~~ADMINISTRATIVE-INTERNAL USE ONLY~~ 200204/10 : CIA-RDP80-00475A000400080010-3

Zero-Base Budget (ZBB) Submission

I. GENERAL

A. This provides guidance and instructions for preparation and submission of a simplified zero-base budget. To the extent possible, the requirements outlined herein are designed to use much of the data already prepared for the 1979 Program submission. Therefore, the submission will not conform to all of the concepts of the the ZBB process as we now understand them. However, the ZBB submission will give Agency management a general idea of what will be involved in the new budget system.

B. For the purpose of this initial effort, and in the absence of more specific information from the Office of Management and Budget, existing Resource Packages should be used as the basic building blocks for development of your zero-base budget. However, to bring your submission into closer conformity with some of the concepts of ZBB, some adjustments in the resource levels as included in your Program submissions may be necessary. Separate packages for the incremental resource levels of existing Resource Packages must be developed. We do not at this time intend to seek detailed funds data (i.e., at the object class level); only total resource requirements will be reflected in your ZBB submission. You should use both the position and funds data in your Program submission as a basis for the resource requirements included in your ZBB submission.

C. The ZBB submission should use the terms we understand that OMB plans to apply to the new process. Specifically, the terms "Decision Package" and "Decision Unit" will be used. In general, the latter equates to our existing Resource Package while the former equates to each of the various levels proposed for existing Resource Packages. For example, in relation to your Program submission, the minimum resource level for an existing Resource Package becomes a separate Decision Package; the additional resources proposed above the minimum level to bring the same activity up to the principal level become a separate Decision Package; the resources above the principal level which bring the activity up to the maximum level also become a separate Decision Package; and the aggregate of these Decision Packages (i.e., a "Decision Package Set") becomes a Decision Unit.

II. NUMBERING OF DECISION PACKAGES

A. To facilitate the identification of Decision Packages during the ranking process by different levels of management, a standard numbering system is desirable. We propose that a combination of letters (to identify the component and the Decision Unit) and numbers (to identify the individual Decision Packages representing the various incremental levels of resources) be used.

Approved ~~ADMINISTRATIVE-INTERNAL USE ONLY~~ 200204/10 : CIA-RDP80-00475A000400080010-3

B. The first letters will be the component abbreviation, to be followed by a slash ("/") and a letter (beginning with the letter "A") representing an existing Resource Package, and a number in parenthesis to identify each of the several packages within the specific activity or program (i.e., Decision Unit). For example, "OMS/A(1 of 4)" would be the first of four Decision Packages for Decision Unit A in the Office of Medical Services. The "A" in this example equates to the Resource Package which the Office of Medical Services refers to as "OMS 1" in its 1979 Program submission.

III. PREPARATION OF THE ZBB SUBMISSION

A. Decision Package submissions will be made in the format shown in Exhibit A. The data for each package should not exceed two pages in length.

B. A set of Decision Packages, representing a Decision Unit, will be summarized in the format shown in Exhibit B. Much of the data required for Sections II, IV, and VIII of Exhibit B can be readily adapted from the appropriate Program submission. The Decision Unit Summary also should be limited to two pages if possible.

C. A ranking of Decision Packages will complete the ZBB submission. The component ranking will be prepared in the format shown in Exhibit C, with the Directorate ranking in a similar format as shown in Exhibit D. It should be emphasized that the ranking of Decision Packages in terms of the essentiality or priority of the activities and programs proposed is central to the ZBB process. While there may be less significance attached to whether one basic Decision Package is ranked higher or lower than another basic Decision Package [e.g., OMS/C(1 of 3) in relation to OMS/A(1 of 5)], the ranking of Decision Packages, and particularly incremental packages is very important. Therefore, careful attention should be paid to the order in which Decision Packages are listed on the ranking forms (Exhibits C and D). In this process, program managers must decide on the relative importance or essentiality of all Decision Packages subject to their review and evaluation [e.g., whether OMS/A(2 of 4) is more or less essential than OMS/B(1 of 3), than OMS/C(2 of 3), etc.].

IV. OTHER

Your ZBB submission is due in the Office of the Comptroller on 11 May 1977 in two copies.

Decision Package Data

I. Identification:

Package Name _____ No. _____
Directorate _____ Component _____ Unit(s) _____
Program Category _____ Program Subcategory _____

II. Description:

(This can generally be equated to a portion of an existing Resource Package. This same description, to the extent applicable, should be repeated for each additional Decision Package representing incremental resource levels for this same program or activity. However, description data for incremental Decision Packages should cover any specific activity for which resources are requested and which is not generally covered in the description of the basic Decision Package.)

III. Resource Requirements (Dollars in Thousands):

<u>1977 (Actual)</u>		<u>1978 (Congressional)</u>		<u>1979 (Request)</u>	
<u>Positions</u>	<u>Funds</u>	<u>Positions</u>	<u>Funds</u>	<u>Positions</u>	<u>Funds</u>

(Position and fund data for 1977 and 1978 may be included as appropriate in only the basic Decision Package; in such case no entries for 1977 and 1978 should be made in incremental Decision Packages for this same program or activity.)

IV. Short-term Objectives:

(Briefly explain the objective of the Decision Package, particularly in terms of output, and as related to the Major Objective for the total Decision Unit—which is the aggregation of all Decision Packages for this program or activity. For incremental Packages, the discussion should focus on what will be accomplished with the resources requested.)

V. Other Information:

(Provide any additional information which might be useful in evaluating the merits of approving this Decision Package. It is appropriate to include here, particularly for the minimum or basic package, the effects or impact of not approving the Decision Unit.)

S-E-C-R-E-T

Decision Unit SummaryI. Identification:

Package Name _____ No. _____

Directorate _____ Component _____ Unit(s) _____

Program Category _____ Program Subcategory _____

II. Description of Programs and Activities Comprising the Decision Unit

(This can generally be equated to our present Resource Package)

III. Resource Requirements:

	1977 Actual		1978 (Congressional)		1979 (Request)			
	Cumulative Total		Cumulative Total		This Package		Cumulative Total	
	Pos.	Funds	Pos.	Funds	Pos.	Funds	Pos.	Funds
Package 1 of n								
Package 2 of n								
Package 3 of n								
etc.								

(Only a single entry for positions and funds is required for 1977 and 1978, and should appear on the same line as the last entry for 1979.)

IV. Major Objectives:

(Briefly describe the major objectives, particularly in terms of output and for accomplishments expected from the programs and activities involved.)

V. Current Method(s) of Accomplishing the Major Objectives:

(Briefly describe the current process through which you get the job done.)

S-E-C-R-E-T

S-E-C-R-E-T

Decision Unit Summary, (Continued)

VI. Alternatives:

(Briefly describe the feasible alternatives to the present and/or proposed manner of accomplishing the stated objectives, and provide the reason(s) for not proposing adoption of the alternative(s) described. If appropriate, a discussion of longer-range cost factors should be included.)

VII. Accomplishments:

(This can generally be equated to the "Evaluation" portion of the present Resource Package submission. The progress toward meeting the major objectives should be discussed and to the extent possible should include both quantitative and qualitative measures of performance.)

S-E-C-R-E-T

Approved For Release 2002/01/10 : CIA-RDP80-00473A000400080010-3

Exhibit C

S-E-C-R-E-T

Component Ranking

Component _____ Directorate _____

<u>Rank</u>	<u>Package</u>	<u>This Package</u>		<u>Cumulative Total</u>	
		<u>Positions</u>	<u>Funds</u>	<u>Positions</u>	<u>Funds</u>
1					
2					
3					
4					
5					
etc.					

S-E-C-R-E-T

Approved For Release 2002/01/10 : CIA-RDP80-00473A000400080010-3

Approved For Release 2002/01/10 : CIA-RDP80-00473A000400080010-3

Exhibit D

S-E-C-R-E-T

Directorate Ranking

Directorate _____

<u>Rank</u>	<u>Package</u>	<u>This Package</u>		<u>Cumulative Total</u>	
		<u>Positions</u>	<u>Funds</u>	<u>Positions</u>	<u>Funds</u>
1					
2					
3					
4					
5					
etc.					

S-E-C-R-E-T

Approved For Release 2002/01/10 : CIA-RDP80-00473A000400080010-3

STATINTL

Approved For Release 2002/01/10 : CIA-RDP80-00473A000400080010-3

Approved For Release 2002/01/10 : CIA-RDP80-00473A000400080010-3

demands will change, and flexibility is essential. My current feeling is that the distribution of the present level of effort in the Administration Directorate is about right. I would, however, like to be better informed at Program Review time than I am now about personnel levels, programs, and priorities in the Offices of Logistics and Training.

5. As you know, the Administration is committed to zero-base budgeting (ZBB) beginning with the 1979 Budget. While it is unlikely that there will be time to fully implement ZBB concepts for all activities for 1979, we expect to be required to submit at least some portion of our program on this basis for the next budget year. Pending receipt of OMB guidance, which is not expected until about 1 April, it is requested that you designate at least one of your offices for which a zero-base budget will be developed on an experimental basis subsequent to preparation of the program to be submitted in response to the 1979 Program Call. The component you designate and your budget staff should immediately become familiar with the concepts of ZBB in order that they will be better prepared to apply the guidance to be received from OMB and the implementing restrictions to be provided by the Office of the Comptroller. A copy of the book Zero Base Budgeting is provided for this purpose. The Resources Staff of the Office of the Comptroller will work closely with your staff in this initial experimental effort, which should prove to be mutually beneficial.

6. Attached is a revised schedule for the Program Submissions and the Review. The key element from your point of view, is that we will have to have your submissions by 4 May. As you will see this is made necessary because the FRC review will begin on 27 June rather than mid-July, which means that we must have our decisions to the IC Staff by 22 June.

7. Please send sufficient copies of the Directorate Program Submission overview to the Office of the Comptroller so that a copy can be sent to each Deputy Director. You in turn will receive copies of each Directorate overview and that of the DCI area from the Office of the Comptroller.

15/
E. H. Knoche

Deputy Director of Central Intelligence

Attachments:

- A. Zero-Base Budgeting book
- B. Revised Schedule

Distribution:

- Original - Addressee, w/atts
- 2 - DDCI, w/att B
- 1 - ER, w/att B
- (1) - C/Budget Staff/DDA, w/att B